

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

NEW HAVEN HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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NEW HAVEN HOUSING COMMISSION
30100 John Rivers Drive
New Haven, Michigan 48048

This discussion and analysis of the New Haven Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 260,050	\$ 265,399
Capital Projects Funds	93,650	351,813

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 289,456	\$ 274,308	15,148
Accounts Receivable	20,768	6,449	14,319
Prepaid Expenses	13,100	23,767	(10,667)
Fixed Assets, prior to Depreciation	4,552,825	4,520,901	31,924
Total Liabilities	69,849	63,366	6,483)
Net Assets	2,865,663	2,979,053	(113,390)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	99,738	85,031	14,707
HUD Grants	353,700	617,212	(263,512)
Other Revenues	21,855	7,647	(14,208)
Expenses:			
Administrative	121,384	121,700	(316)
Tenant Services		3,123	(3,123)
Utilities	55,178	65,289	(10,111)
Maintenance & Operations	200,308	155,848	(44,460)
General Expenses	<u>29,845</u>	<u>36,118</u>	(6,273)
Total Operating Expenses	<u>406,715</u>	<u>382,078</u>	(24,637)
Depreciation Expense	157,631	150,505	7,126
Net Change in Net Assets	(89,053)	177,307	(266,360)

Our cash position increase slightly, our receivables increased due to an increase in accounts receivable from HUD \$ 9,912 for our last installment of subsidies and an increase in tenants accounts receivable 4,407. Our prepaid expenses decreased due to the timing of our payment for insurance, fixed assets increased by the amount of capital expenditures for the year, our total liabilities remained unchanged for the year, and Net Assets decreased by the net loss of \$ 89,053, and corrections from the prior audit of \$ 24,337.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. In 2004 we requisitioned \$ 261,034 for operations (which explains our strong cash position) which were unavailable in 2005.

Tenant revenues increased in spite of a vacancy problem, however, a portion of the increase is reflected in a large accounts receivable balance (\$ 8,246). HUD grants decreased by the amount of the aforementioned operating funds drawn in 2004, (261,034). Other revenues increased significantly because of the contract entered into with Comcast Cable, see footnotes to financial statements. Our total expenses increased approximately 5% for the year which is consistent with normal inflation.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	88	88

General Fund Budgetary Highlights

The Commission approved an operating budget on March 16, 2004 for the fiscal year ending March 31, 2005, we had no occasion to amend the budget.

The significant differences between budget and actual are as follows:

	<u>Budget .</u>	<u>Actual .</u>	<u>Increase/ (Decrease)</u>
Ordinary Maintenance & Operations	141,160	200,308	59,148
General Expense	81,010	29,845	(51,165)
Extra Ordinary Maintenance	93,150	0	(93,150)
Total Operating Profit (Loss)	(127,110)	(89,053)	(38,057)

Items originally budgeted for as extra-ordinary resulted in routine expense items, therefore the extra ordinary expenses were reallocated to the ordinary maintenance and general expense categories. The net loss was reduced by the elimination of several anticipated extra ordinary items that were not completed during the year.

Entity Wide Capital Assets

The fixed assets increased \$ 31,934 prior to depreciation. The additions included unit renovations and repairs, (glazing of existing bathtubs and enclosures, door replacement and some landscaping).

Commission's Position

The Commission plans to use the current Capital Fund Program of \$ 59,449 to finish re-glazing the tubs and enclosures, finish replacing entry-way doors, and landscaping.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sabrina Gaddy, Property Supervisor
% Fourmidable
32605 W 12 Mile Road
Farmington Hills, Michigan 48334

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
New Haven Housing Commission
30100 John Rivers Drive
New Haven, Michigan 48048

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the New Haven Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Haven Housing Commission as of March 31, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

August 5, 2005

NEW HAVEN HOUSING COMMISSION
Statement of Net Assets
March 31, 2005

ASSETS

C-3218

CURRENT ASSETS

Cash & Cash Equivalents	\$	289,456
Accounts Receivable (Net of allowance of \$ 1,000)		7,246
Accounts Receivable- HUD		13,522
Prepaid Expenses		<u>13,100</u>

Total Current Assets	\$	323,324
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NON CURRENT ASSETS

Land	\$	112,710
Buildings		4,159,324
Furniture, Equipment- Dwellings		206,323
Furniture, Equipment- Administrative		74,468
Accumulated Depreciation		<u>(1,940,637)</u>

Total Non Current Assets		<u>2,612,188</u>
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<u>TOTAL ASSETS</u>	\$	<u>2,935,512</u>
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NEW HAVEN HOUSING COMMISSION
Statement of Net Assets
March 31, 2005

LIABILITIES

C-3218

CURRENT LIABILITIES

Accounts Payable	\$ 10,988
Accrued Wages & Payroll Taxes	5,117
Accounts Payable- Other Government	5,950
Tenants Security Deposit	14,448
Deferred Revenue	12,537
Accrued Liabilities-Other	<u>20,809</u>

<u>TOTAL LIABILITIES</u>	\$ <u>69,849</u>
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Net Assets

Investment in Fixed Assets	
net of Related Debt	\$ 2,612,188
Unrestricted Net Assets	<u>253,475</u>

<u>TOTAL NET ASSETS</u>	<u>2,865,663</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements.

NEW HAVEN HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2005

		<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>		
Tenant Rental Revenue	\$ 98,394	
Tenant Revenue- Other	1,344	
HUD Grants	353,700	
Interest Income	2,941	
Other Income	<u>18,914</u>	
 <u>Total Operating Revenue</u>		 \$ 475,293
<u>OPERATING EXPENSES</u>		
Administrative	\$ 121,384	
Utility Expenses	55,178	
Ordinary Maintenance	200,308	
General Expenses	<u>29,845</u>	
 <u>Total Operating Expenses</u>		 <u>406,715</u>
 <u>Operating Income (Loss)</u>		 \$ 68,578
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Depreciation Expenses		<u>(157,631)</u>
 <u>Change in Net Assets</u>		 \$ (89,053)
 Total Net Assets- Beginning		 <u>2,954,716</u>
 Total Net Assets- Ending		 \$ <u>2,865,663</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

NEW HAVEN HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 95,331
Payments to Suppliers	(254,866)
Payments to Employees	(128,137)
HUD Grants	353,700
Other Receipts (Payments)	<u>21,855</u>
Net Cash Provided (Used) by Operating Activities	\$ 87,883

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	<u>(72,735)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 15,148
Cash Balance- Beginning of Year	<u>274,308</u>
Cash Balance- End of Year	\$ <u>289,456</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (89,053)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	157,631
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	14,319
Prepaid Expenses	10,667
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(438)
Accrued Liabilities	(6,082)
Accounts Payable-Other Governments	2,769
Security Deposits	379
Deferred Revenue	<u>(2,309)</u>
Net Cash Provided by Operating Activities	\$ <u>87,883</u>

The Accompanying Notes are an Integral part of the Financial Statements

NEW HAVEN HOUSING COMMISSION
Notes to Financial Statements
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

New Haven Housing Commission, New Haven, Michigan, (Commission) was created by ordinance of the city of New Haven. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following as of March 31, 2005:

MI 180	Low rent program	88 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major and non major funds.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Notes to Financial Statements- continued

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

The estimated portion of the liability for vested leave benefits attributable to the Commission is recorded as an expenditure and liability in each of the respective programs.

Notes to Financial Statements- continued

Note 2: Cash.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 192,971
Petty Cash	500
Savings	<u>68,093</u>
Financial Statement Total	<u>\$ 261,564</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 192,971	\$	\$	\$ 192,971	\$ 192,971
Petty Cash	500			500	500
Money Market	<u>68,093</u>			<u>68,093</u>	<u>67,093</u>
Total Cash	<u>\$ 261,564</u>	<u>\$</u>	<u>\$</u>	<u>\$ 261,564</u>	<u>\$ 261,564</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 112,710	\$	\$	\$ 112,710
Buildings	4,046,534	112,790		4,159,324
Furniture & Equipment-Dwellings	183,877	22,446		206,323
Furniture & Equipment-Admin	87,001		12,533	74,468
Leasehold Improvements	<u>90,779</u>		<u>90,779</u>	<u>0</u>
	\$ 4,520,901	\$ 135,236	\$ 103,312	\$ 4,552,825
Less Accumulated Depreciation	<u>1,783,006</u>	<u>157,631</u>		<u>1,940,637</u>
	<u>\$ 2,737,895</u>	<u>\$ (22,395)</u>	<u>\$ 103,312</u>	<u>\$ 2,612,188</u>

Notes to Financial Statements- continued

Note 4: Accrued Liabilities

The accrued liabilities consist of the following:

Accrued Utilities payable	\$ 11,363
Accrued Expenses- Other	<u>9,446</u>
	\$ <u>20,809</u>

Note 5: Deferred Revenue

Deferred Revenue consists of the following:

Prepaid Tenant Rents	\$ 667
Prepaid Comcast Income	<u>11,870</u>
	\$ <u>12,537</u>

Comcast, Inc., entered into an exclusive rights agreement with the Commission whereas the units will be restricted to Comcast cable service for an advance of \$ 175/per unit. The agreement covers a twelve year period and will be amortized over the length of the contract.

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,766,931
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

New Haven Housing Commission

31-Mar-05

MI180

Combining Statement of Net Assets		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	261,564	-	261,564
112	Cash - restricted - modernization and development	-		-
113	Cash - other restricted			-
114	Cash - tenant security deposits	27,892		27,892
100	Total cash	289,456	-	289,456
	Accounts and notes receivables:			
121	Accounts receivable - PHA projects			-
122	Accounts receivable - HUD other projects	13,522		13,522
124	Accounts receivable - other government			-
125	Accounts receivable - miscellaneous			-
126	Accounts receivable- tenants - dwelling rents	8,246		8,246
126.1	Allowance for doubtful accounts - dwelling rents	(1,000)		(1,000)
126.2	Allowance for doubtful accounts - other			-
127	Notes and mortgages receivable- current			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable			-
120	Total receivables, net of allowances for doubtful accounts	20,768	-	20,768
	Current investments			-
131	Investments - unrestricted	-		-
132	Investments - restricted			-
142	Prepaid expenses and other assets	13,100		13,100
143	Inventories	-		-
143.1	Allowance for obsolete inventories			-
144	Interprogram - due from	-	-	-
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	323,324	-	323,324
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	112,710		112,710
162	Buildings	4,159,324		4,159,324
163	Furniture, equipment & machinery - dwellings	206,323		206,323
164	Furniture, equipment & machinery - administration	74,468	-	74,468
165	Leasehold improvements		-	-
166	Accumulated depreciation	(1,940,637)	-	(1,940,637)
160	Total fixed assets, net of accumulated depreciation	2,612,188	-	2,612,188
171	Notes and mortgages receivable - non-current			-
172	Notes and mortgages receivable-non-current-past due			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint ventures			-
180	TOTAL NONCURRENT ASSETS	2,612,188	-	2,612,188
190	TOTAL ASSETS	2,935,512	-	2,935,512

	LIABILITIES AND EQUITY			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	10,988		10,988
313	Accounts payable > 90 days past due			-
321	Accrued wage/payroll taxes payable	5,117		5,117
322	Accrued compensated absences	-		-
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA programs			-
332	Accounts Payable - PHA Projects			
333	Accounts payable - other government	5,950	-	5,950
341	Tenant security deposits	14,448		14,448
342	Deferred revenues	12,537		12,537
343	Current portion of Long-Term debt - capital projects			-
344	Current portion of Long-Term debt - operating borrowings			-
345	Other current liabilities	-		-
346	Accrued liabilities - other	20,809		20,809
347	Inter-program - due to	-	-	-
310	TOTAL CURRENT LIABILITIES	69,849	-	69,849
	NONCURRENT LIABILITIES			
351	Long-term debt, net of current- capital projects			-
352	Long-term debt, net of current- operating borrowings			-
353	Noncurrent liabilities- other			-
350	TOTAL NONCURRENT LIABILITIES	-	-	-
300	TOTAL LIABILITIES	69,849	-	69,849
	EQUITY:			
501	Investment in general fixed assets			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guaranteed	-		-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
508.01	Net Assets invested in Capital Assets	2,612,188		2,612,188
508	Total contributed capital	2,612,188	-	2,612,188
	Reserved fund balance:			-
509	Reserved for operating activities			-
510	Reserved for capital activities			-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	253,475	-	253,475
513	TOTAL EQUITY	2,865,663	-	2,865,663
600	TOTAL LIABILITIES AND EQUITY	2,935,512	-	2,935,512

Proof of concept

- - -

Depreciation Add Back

New Haven Housing Commission

31-Mar-05

MI180

Combining Statement of Revenues, Expenses		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #			-	
	REVENUE:	-		
703	Net tenant rental revenue	98,394		98,394
704	Tenant revenue - other	1,344		1,344
705	Total tenant revenue	99,738	-	99,738
706	HUD PHA grants	260,050	93,650	353,700
708	Other government grants			-
711	Investment income - unrestricted	2,941	-	2,941
712	Mortgage interest income			-
714	Fraud recovery			-
715	Other revenue	18,914	-	18,914
716	Gain or loss on the sale of fixed assets			-
720	Investment income - restricted			-
700	TOTAL REVENUE	381,643	93,650	475,293
	EXPENSES:			
	Administrative			
911	Administrative salaries	48,289		48,289
912	Auditing fees	2,400		2,400
913	Outside management fees	29,568		29,568
914	Compensated absences	-		-
915	Employee benefit contributions- administrative	5,875		5,875
916	Other operating- administrative	35,252	-	35,252
	Tenant services			
921	Tenant services - salaries	-		-
922	Relocation costs	-		-
923	Employee benefit contributions- tenant services	-		-
924	Tenant services - other	-		-
	Utilities			
931	Water	38,306		38,306
932	Electricity	7,181		7,181
933	Gas	9,691		9,691
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	79,848		79,848
942	Ordinary maintenance and operations - materials & other	106,667		106,667
943	Ordinary maintenance and operations - contract costs	4,078		4,078
945	Employee benefit contributions- ordinary maintenance	9,715		9,715
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract costs			-
953	Protective services - other	-		-
955	Employee benefit contributions- protective services			-
	General expenses			
961	Insurance premiums	23,894		23,894
962	Other General Expenses			
963	Payments in lieu of taxes	5,950		5,950
964	Bad debt - tenant rents	1		1
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense			-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	406,715	-	406,715
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(25,072)	93,650	68,578
971	Extraordinary maintenance	-		-
972	Casualty losses - non-capitalized			-
973	Housing assistance payments		-	-
974	Depreciation expense	157,631		157,631
975	Fraud losses			-
976	Capital outlays- governmental funds	-		-
977	Debt principal payment- governmental funds			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	564,346	-	564,346
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	93,650	(93,650)	-
1002	Operating transfers out			-
1003	Operating transfers from/to primary government			-
1004	Operating transfers from/to component unit			-
1005	Proceeds from notes, loans and bonds			-
1006	Proceeds from property sales			-
1010	TOTAL OTHER FINANCING SOURCES (USES)	93,650	(93,650)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(89,053)	-	(89,053)
MEMO account information				
1101	Capital contributions			
1102	Debt principal payments- enterprise funds			-
1103	Beginning equity	-		-
1104	Prior period adjustments and equity transfers			-
1105	Changes in compensated absence liability balance (in the GLTDAG)			-
1106	Changes in contingent liability balance (in the GLTDAG)			-
1107	Changes in unrecognized pension transition liability (in the GLTDAG)			-
1108	Changes in special term/severance benefits liability (in the GLTDAG)			-
1109	Changes in allowance for doubtful accounts - dwelling rents			-
1110	Changes in allowance for doubtful accounts - other			-
1112	Depreciation "add back"			-
1113	Maximum annual contributions commitment (per ACC)			
1114	Prorata maximum annual contributions applicable to a period of less than twelve months			
1115	Contingency reserve, ACC program reserve			
1116	Total annual contributions available			
1120	Unit months available	-		-
1121	Number of unit months leased	-		-

Equity Roll Forward Test
Calculation from R/E Statement
B/S Line 513

(89,053)

2,865,663

-

#REF!

Sum of A:

Sum of B:

NEW HAVEN HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2005

The prior audit of the New Haven Housing Commission for the period ended March 31, 2004 contained one audit findings; the corrective action taken by the Commission is as follows:

04-1 Collateralization Agreement- the Commission secured an agreement with the bank to secure it's position beyond Federal Deposit Insurance Commission (FDIC) limits.

NEW HAVEN HOUSING COMMISSION
Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements in Accordance with
Governmental Auditing Standards
March 31, 2005

I have audited the financial statements of New Haven Housing Commission as of and for the year ended March 31, 2005, and have issued my report dated August 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether New Haven Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. However, the results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: 05-1, 05-2, and 05-3.

Internal Control over Financial Reporting

In planning and performing my audit, I considered New Haven Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect New Haven Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

August 5, 2005

NEW HAVEN HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted X Yes _____ No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	05-1, 05-2, 05-3
Capital Projects Funds	Yes	None	N/A

NEW HAVEN HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
March 31, 2005

The following findings of the New Haven Housing Commission, for the year ended March 31, 2005, were discussed with the Property Supervisor, in an exit interview conducted August 5, 2005:

Finding 05-1: Excessive Accounts Receivable

Average tenant accounts receivable based on units in possession at March 31, 2005, were \$ 93; average balance as of March 31, 2004, was \$ 44. HUD prescribes \$ 15 per unit average as acceptable.

Recommendation

The Commission has a vacancy problem (finding 05-2) and an unacceptable level of tenant accounts receivable. To enforce notices to quit and evict slow pay tenants could increase the vacancy problem in the short run, however, the current remedy does not seem to be working.

The long run solution may be to improve the tenant selection process; run credit and criminal checks, and inquiries of previous landlords. Although evictions for non payment may increase vacancies in the short run, it could eliminate problem tenants that require more administrative time and do not improve the Commission's position; excessive accounts receivable.

I recommend the Commission continue in it's efforts to get the accounts receivable level below the minimum threshold as required by HUD.

Reply

The receivable balances are excessive due to accounts that were not eligible for write-offs at year end and due to payment plans for residents that did not disclose income information timely.

It is the policy of the New Haven Housing Commission to allow residents a one time only payment plan that can not exceed a one year period.

Regarding your long term recommendations we currently have everything in place that you suggested.

Finding 05-2: Excessive Vacancies

The Commission had 10 vacancies (11%) at year end; HUD allows a 3% vacancy rate in the Performance Funding System (PFS) calculations. The vacancy level could cause the Commission to be deemed troubled if not corrected.

Recommendation

Part of the vacancy problem is due to a storage problem; several units are being renovated and the replacement parts (cabinets, doors, etc.) are being stored in another vacant unit- therefore, two units are vacant in order to repair one. This situation seems to be counter-productive, however, the Commission is lacking adequate storage to hold the materials. In addition, the maintenance staff has not been able to perform normal work orders, maintain the common areas and do the unit renovations, therefore the units are not being brought on line in a timely manner.

I recommend the Commission consider hiring the unit renovations out to a qualified construction company under the Capital Fund; a qualified builder would bring construction trailers to the work site and eliminate the need to use vacant units for storage. In the future, the Commission should consider enlarging the maintenance area to accommodate reasonable storage space for repair materials.

Reply

The vacancies have been filled and the waiting list for a 1 and 2 bedrooms are approximately a one year wait and 3 bedrooms are an estimated 6 month wait.

Recommendations: Part of the vacancy issue was not a storage problem. Maintenance had all parts delivered to one apartment and then needed to deliver the materials to the appropriate vacant apartment that required the parts. In the future all supplies will be delivered initially to the correct apartment. In addition, there was a shortage in the maintenance department which was resolved. In the future the Commission will look into enlarging the maintenance area but that has nothing to do with turning over vacant apartments.

Findings 05-3: Tenant Accounting Discrepancies

Six files were tested and the following discrepancies were noted:

- 2 files had incomplete Citizenship forms
- 2 files lacked rent choice forms
- 2 tenants were in the wrong size apartments (under/over housed)
- 4 files lacked proper third party income verifications
- 1 file had an incorrect medical deduction
- 3 files were late with the annual re-examination
- 1 file lacked notification of Community Service status

In addition to the above, the Commission is using a month to month lease; the lease should be an annual lease per HUD regulations.

Recommendation

The above error rate in such a small sample indicates all files potentially have similar problems; I recommend the staff obtain adequate training concerning HUD requirements relating to tenant admission and continued occupancy and institute a method to review all files for compliance.

Reply

We were not provided addresses for files missing information, so we will review all files. The Residential Manager will get additional training as they are available in the State of Michigan.

All residents will be issued a new lease at recertification which will read annual renewal instead of month to month at lease expiration.